

**BAYONNE ECONOMIC OPPORTUNITY  
FOUNDATION**

**Financial Statements  
January 31, 2017 and 2016  
(with reporting requirements for Uniform Guidance)**

The report accompanying these financial statements was issued by Spire Group, PC, a New Jersey Professional Corporation.

# BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees of  
Bayonne Economic Opportunity Foundation  
Bayonne, New Jersey**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bayonne Economic Opportunity Foundation (a nonprofit organization), which comprise the statements of financial position as of January 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayonne Economic Opportunity Foundation as of January 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of Bayonne Economic Opportunity Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bayonne Economic Opportunity Foundation's internal control over financial reporting and compliance.



Livingston, New Jersey  
June 13, 2017

# BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

## Statements of Financial Position January 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash	\$ 135,485	\$ 97,578
Grants receivable	169,442	294,805
Other receivables	25,000	125,000
Prepaid expenses	17,840	17,686
Fixed assets - net	<u>363,485</u>	<u>394,497</u>
<b>Total Assets</b>	<u>\$ 711,252</u>	<u>\$ 929,566</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 181,394	\$ 175,607
Deferred income	<u>22,500</u>	<u>8,465</u>
<b>Total Liabilities</b>	<u>203,894</u>	<u>184,072</u>
<b>Net Assets</b>		
Unrestricted	507,358	745,494
Temporarily restricted	<u>-</u>	<u>-</u>
<b>Total Net Assets</b>	<u>507,358</u>	<u>745,494</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 711,252</u>	<u>\$ 929,566</u>

See accompanying notes.

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Statements of Activities**

**For the Years Ended January 31, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>						
Grant income	\$ -	\$ 3,022,521	\$ 3,022,521	\$ -	\$ 3,264,935	\$ 3,264,935
Contributions	63,764	-	63,764	56,070	-	56,070
In-kind income	-	1,110,100	1,110,100	-	834,501	834,501
Program income	395,501	-	395,501	261,329	-	261,329
Special event revenue	58,675	-	58,675	42,122	-	42,122
Less: Direct benefit cost	(73,384)	-	(73,384)	(15,656)	-	(15,656)
Other income	522	-	522	155	-	155
Net assets released from restrictions - satisfaction of program restrictions	4,132,621	(4,132,621)	-	4,099,436	(4,099,436)	-
<b>Total Revenues</b>	<u>4,577,699</u>	<u>-</u>	<u>4,577,699</u>	<u>4,443,456</u>	<u>-</u>	<u>4,443,456</u>
<b>Expenses</b>						
Program services						
Head start	1,956,253	-	1,956,253	1,759,666	-	1,759,666
Weatherization / energy assistance	194,918	-	194,918	264,829	-	264,829
Hurricane Sandy support services	93,513	-	93,513	226,149	-	226,149
Community service	1,324,608	-	1,324,608	1,335,422	-	1,335,422
<b>Total Program Services</b>	<u>3,569,292</u>	<u>-</u>	<u>3,569,292</u>	<u>3,586,066</u>	<u>-</u>	<u>3,586,066</u>
Supporting services						
Management and general	1,211,716	-	1,211,716	802,311	-	802,311
Fundraising	34,827	-	34,827	10,252	-	10,252
<b>Total Supporting Services</b>	<u>1,246,543</u>	<u>-</u>	<u>1,246,543</u>	<u>812,563</u>	<u>-</u>	<u>812,563</u>
<b>Total Expenses</b>	<u>4,815,835</u>	<u>-</u>	<u>4,815,835</u>	<u>4,398,629</u>	<u>-</u>	<u>4,398,629</u>
Changes in Net Assets	(238,136)	-	(238,136)	44,827	-	44,827
<b>Net Assets - Beginning of Year</b>	<u>745,494</u>	<u>-</u>	<u>745,494</u>	<u>700,667</u>	<u>-</u>	<u>700,667</u>
<b>Net Assets - End of Year</b>	<u>\$ 507,358</u>	<u>\$ -</u>	<u>\$ 507,358</u>	<u>\$ 745,494</u>	<u>\$ -</u>	<u>\$ 745,494</u>

See accompanying notes.

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Statement of Functional Expenses  
For the Year Ended January 31, 2017**

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Head Start</u>	<u>Weatherization/ Energy Assistance</u>	<u>Hurricane Sandy Support Services</u>	<u>Community Service</u>	<u>Total</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 719,804	\$ 68,436	\$ 4,783	\$ 206,919	\$ 999,942	\$ 717,724	\$ 26,416	\$ 744,140	\$ 1,744,082
Fringe benefits and payroll taxes	225,931	31,669	468	97,723	355,791	118,248	1,666	119,914	475,705
Materials, supplies and consumables	174,371	43,742	26,393	257,889	502,395	19,637	837	20,474	522,869
Subcontracted labor	1,275	30,946	61,869	275	94,365	-	-	-	94,365
Occupancy	90,985	7,922	-	26,710	125,617	11,385	-	11,385	137,002
In-kind costs	586,773	-	-	403,247	990,020	120,080	-	120,080	1,110,100
Other	67,652	990	-	279,008	347,650	122,089	4,871	126,960	474,610
Insurance	16,087	-	-	24,883	40,970	869	-	869	41,839
Consultants and professional fees	47,243	8,239	-	26,116	81,598	94,142	345	94,487	176,085
Travel	4,072	725	-	1,838	6,635	839	692	1,531	8,166
Depreciation	22,060	2,249	-	-	24,309	6,703	-	6,703	31,012
<b>Total Expenses</b>	<b>\$ 1,956,253</b>	<b>\$ 194,918</b>	<b>\$ 93,513</b>	<b>\$ 1,324,608</b>	<b>\$ 3,569,292</b>	<b>\$ 1,211,716</b>	<b>\$ 34,827</b>	<b>\$ 1,246,543</b>	<b>\$ 4,815,835</b>

See accompanying notes.

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Statement of Functional Expenses  
For the Year Ended January 31, 2016**

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Head Start</u>	<u>Weatherization/ Energy Assistance</u>	<u>Hurricane Sandy Support Services</u>	<u>Community Service</u>	<u>Total</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 741,843	\$ 84,444	\$ 42,569	\$ 254,176	\$ 1,123,032	\$ 523,770	\$ 6,624	\$ 530,394	\$ 1,653,426
Fringe benefits and payroll taxes	229,788	18,388	7,679	62,464	318,319	135,678	830	136,508	454,827
Materials, supplies and consumables	121,239	84,809	73,805	259,401	539,254	13,725	610	14,335	553,589
Subcontracted labor	175	52,760	69,748	2,334	125,017	-	-	-	125,017
Occupancy	91,514	5,774	1,500	27,633	126,421	14,030	-	14,030	140,451
In-kind costs	419,206	-	-	395,695	814,901	19,600	-	19,600	834,501
Other	41,234	12,221	29,554	270,567	353,576	43,069	2,188	45,257	398,833
Insurance	22,435	2,345	1,267	26,165	52,212	560	-	560	52,772
Consultants and professional fees	54,297	3,910	-	31,441	89,648	37,655	-	37,655	127,303
Travel	8,432	178	27	5,546	14,183	1,940	-	1,940	16,123
Depreciation	29,503	-	-	-	29,503	12,284	-	12,284	41,787
<b>Total Expenses</b>	<b>\$ 1,759,666</b>	<b>\$ 264,829</b>	<b>\$ 226,149</b>	<b>\$ 1,335,422</b>	<b>\$ 3,586,066</b>	<b>\$ 802,311</b>	<b>\$ 10,252</b>	<b>\$ 812,563</b>	<b>\$ 4,398,629</b>

See accompanying notes.



**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION****Statements of Cash Flows  
For the Years Ended January 31, 2017 and 2016**

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	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ (238,136)	\$ 44,827
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	31,012	41,787
Decrease (Increase) in Operating Assets		
Grants receivables	125,363	(58,398)
Miscellaneous receivables	100,000	(64,637)
Prepaid expenses	(154)	2,940
Increase (Decrease) in Liabilities		
Accounts payable and accrued expenses	5,787	4,723
Deferred income	14,035	(92,848)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>37,907</u>	<u>(121,606)</u>
<b>Cash Flows From Investing Activities</b>		
Capital improvements	<u>-</u>	<u>(5,050)</u>
<b>Net Change in Cash</b>	37,907	(126,656)
<b>Cash - Beginning of Year</b>	<u>97,578</u>	<u>224,234</u>
<b>Cash - End of Year</b>	<u>\$ 135,485</u>	<u>\$ 97,578</u>

See accompanying notes.

# **BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

## **Notes to Financial Statements January 31, 2017 and 2016**

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### **Note 1 – Summary of Significant Accounting Policies**

#### **Organization and Nature of Activities**

Bayonne Economic Opportunity Foundation (“B.E.O.F.”), incorporated as a not-for-profit in 1965, under the laws of the State of New Jersey. B.E.O.F. was established to assist low income individuals in the Bayonne, New Jersey area. The Organization provides many services for individuals in need, including a Head Start Program for preschool children, local transportation, meals for senior citizens, meals on wheels, counseling services, weatherization assistance, as well as other programs to serve the poor.

#### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements reflect all significant receivables, payables and other liabilities.

#### **Basis of Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

All net assets not specifically restricted by donors are considered to be available for unrestricted use. Restricted net assets may only be utilized in accordance with the purpose established by their donors and grantors. Restrictions are considered satisfied when expenses are incurred which conform to grantor and donor specifications, rules or regulations. Net assets which have been earmarked for specific purposes by the governing board of the Organization are classified as unrestricted.

#### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, depreciation expense, and contingencies. Actual results could differ from those estimates.

#### **Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold for the year ended January 31, 2017. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ended January 31, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

#### **Deferred Revenue**

Deferred revenue is recognized when cash advances exceed revenues earned against such advances.

# BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

## Notes to Financial Statements January 31, 2017 and 2016

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### Note 1 – Summary of Significant Accounting Policies (Cont.)

#### Fixed Assets and Depreciation

Fixed assets, including those under the Head Start program, are capitalized at cost if purchased, fair value if donated, individually or in the aggregate of \$5,000. The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used or disposed.

Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Depreciation of fixed assets is provided on a straight-line basis over the estimated useful lives of assets. Depreciation expense for the years ended January 31, 2017 and 2016 was \$31,012 and \$41,787, respectively.

Buildings and Improvements	40 years
Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years

#### Public Support and Revenue

Grants and other contributions of cash and other assets are reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with no restrictions are recorded as unrestricted net assets when received. Contributions of securities or real property are recorded at fair market value at the date of contribution.

#### Federal, State and Other Financial Assistance

The Organization records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. The Organization accounts for grant revenue as exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Amounts that have been received but not earned are included in deferred revenue.

#### Contributed Services

B.E.O.F. receives donated space, professional and education services, as well as miscellaneous items which are recorded at estimated fair value. In addition, B.E.O.F. has many individuals who volunteer their time and perform a variety of tasks that assist the Organization in their community service programs but do not meet the criteria for recognition as contributed services. For the years ended January 31, 2017 and 2016, the Organization received 12,777 and 22,753 volunteer hours, with a fair market value of approximately \$116,000 and \$198,000, respectively.

#### Functional Expenses

The costs of providing the various programs and other activities are summarized in a statement of functional expenses. Accordingly, certain costs are allocated among the programs and supporting services benefited.

# BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

## Notes to Financial Statements January 31, 2017 and 2016

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### Note 1 – Summary of Significant Accounting Policies (Cont.)

#### Compensated Absences

Employees of the Organization are entitled to paid vacation and sick time, depending upon length of service. The Organization's policy states employees may carry over five vacation days from one year to another. However, the days must be used by the end of the following first quarter. Employees are not compensated for any remaining unused vacation time.

#### Fair Value of Financial Instruments

Financial instruments include cash, grants receivable, accounts payable and accrued expenses. The amounts reported for financial instruments are considered to be reasonable approximations of their fair values. The fair value estimates presented herein were based on market information available to management. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts.

#### Advertising Costs

Advertising costs are expensed as incurred. For the years ended January 31, 2017 and 2016, the Organization incurred \$11,464 and \$7,818, respectively in advertising costs.

### Note 2 – Grants Receivable

Grants receivable by program at January 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Head start	\$ 68,126	\$ 45,786
Weatherization / energy assistance		
Low-income home energy assistance	-	12,890
Community service		
Homeless food and shelter	22,075	67,453
Fair housing	5,039	10,609
Nutrition program	37,931	38,012
Residential maintenance	200	7,791
Residential maintenance - Sandy relief	19,870	101,442
Transportation	4,547	10,822
Management & general		
Community services block grant	<u>11,654</u>	<u>-</u>
Total	<u>\$ 169,442</u>	<u>\$ 294,805</u>

## BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

### Notes to Financial Statements January 31, 2017 and 2016

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#### Note 3 – Other Receivables

Other receivables at January 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
City of Bayonne - administrative contract	\$ 25,000	\$ 125,000

#### Note 4 – Fixed Assets

Fixed assets at January 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 15,119	\$ 15,119
Building and improvements	559,542	559,542
Machinery and equipment	824,843	824,843
Office equipment and computers	86,935	86,935
Vehicles	<u>279,078</u>	<u>279,078</u>
	1,765,517	1,765,517
Less: accumulated depreciation	<u>(1,402,032)</u>	<u>(1,371,020)</u>
Net	<u>\$ 363,485</u>	<u>\$ 394,497</u>

#### Note 5 – Deferred Revenue

Deferred revenue by program at January 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Management & general		
Community service block grant	\$ -	\$ 8,465
Community development block grant	<u>22,500</u>	<u>-</u>
Total	<u>\$ 22,500</u>	<u>\$ 8,465</u>

#### Note 6 – Operating Leases

A 99 year lease with the City of Bayonne was executed on May 10, 1999 for use of the building and land of the former City Hall Annex located at 21 West 8<sup>th</sup> Street, Bayonne, New Jersey. Lease payments in the amount of \$1 are payable on June 1 of each year. These premises are occupied by the Head Start Program of the Organization. This lease can be terminated upon six months' written notice to the landlord, or in the event the Organization no longer legally exists.

## BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

### Notes to Financial Statements January 31, 2017 and 2016

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#### Note 7 – In-Kind Contributions

B.E.O.F. received donated space, professional and education services, and other miscellaneous items utilized in the Head Start and community service programs. The in-kind contributions are recorded at the estimated fair value. Total in-kind donations for the year ended January 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Rent	\$ 664,000	\$ 513,000
Education and professional services	355,925	250,446
Gifts, clothes and other items	<u>90,175</u>	<u>71,055</u>
Total	<u>\$ 1,110,100</u>	<u>\$ 834,501</u>

#### Note 8 – Concentrations of Credit Risk

Financial instruments that potentially subject B.E.O.F. to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U. S. Federal Deposit Insurance Corporation (FDIC) insured \$250,000 limit and all investments in money market and government reserve funds. Periodically, the balance of cash maintained at the financial institution may be in excess of the FDIC insurance limit. B.E.O.F. had no uninsured bank balances at January 31, 2017 and 2016, respectively.

#### Note 9 – Retirement Plans

The Company maintains a 401(k) profit sharing plan for its employees under the provisions of the Internal Revenue Code Section 401(k). The employees may elect to defer amounts according to the maximum allowed under Federal guidelines. The plan allows the Organization to make discretionary contributions which are determined annually by the Board of Trustees. There were no discretionary contributions charged to operations under the plan for the years ended January 31, 2017 and 2016.

#### Note 10 – Related Party Transactions

As disclosed in Note 6, the Organization leases from the City of Bayonne (“City”) facilities for its operations. This transaction was not consummated on terms equivalent to those that prevail in arm’s-length transactions. The Organization pays the City of Bayonne \$1 per year for use of the facilities. The estimated fair market value of the use of the facilities is approximately \$196,000 and is included in the financial statements as an in-kind contribution. The City provided additional services for transportation Head Start programs, which are included in the financial statements as an in-kind contribution. The City has a shared service agreement with the Organization for vehicles, the estimated fair market value of the shared service agreement is \$15,000.

In addition, beginning September 1, 2015, the Organization entered into an agreement with the City of Bayonne to provide administrative services in connection with administering the City’s CDBG program. Revenues in the amount of \$300,000 and \$125,000 were recorded for the years ended January 31, 2017 and 2016, respectively. At January 31, 2017 and 2016, receivables for the agreement were \$25,000 and \$125,000, respectively.

## **BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

### **Notes to Financial Statements January 31, 2017 and 2016**

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#### **Note 11 – Tax Filing Compliance**

B.E.O.F. was in compliance with applicable federal and state regulations as of January 31, 2017 and 2016 relative to the remitting of employee withholding taxes and filing of payroll tax returns and all other annual regulatory information filings.

#### **Note 12 – Commitments and Contingencies**

The Bayonne Economic Opportunity Foundation receives a substantial amount of its support from federal and state grants. A significant reduction in the level of this support may have an effect on the Bayonne Economic Opportunity Foundation programs.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs due to noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization is involved in various litigation in the normal course of business. The Organization's legal advisors are defending B.E.O.F.'s positions. In the opinion of management, any losses that may occur would not be material to the financial statements.

#### **Note 13 – Evaluation of Subsequent Events**

The Organization has evaluated events subsequent to the balance sheet date for potential recognition or disclosure through June 13, 2017, the date which the financial statements were available to be issued.

On April 4, 2017, the Municipal Council of Bayonne, New Jersey, authorized the City of Bayonne and The Convent of Sisters of Saint Joseph to enter into a contract of sale for real property for the sum of \$2,500,000. It was proposed that the end use for the real property would be to house B.E.O.F. and the cost of purchasing the real property would be offset by the purchase, sale and redevelopment of three properties currently owned by B.E.O.F. which are now being offered for sale to the City of Bayonne.

**SCHEDULES OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JANUARY 31, 2017**



**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Schedule of Expenditures of Federal Awards  
For the Year Ended January 31, 2017**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through ID Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<b>US Department of Agriculture</b>				
Child and Adult Care Food Program	10.558	17-106	10/1/15 - 9/30/16	\$ 70,643
Child and Adult Care Food Program	10.558	17-106	10/1/16 - 9/30/17	48,656
<b>Total US Department of Agriculture</b>				<u>119,299</u>
<b>US Department of Health and Human Services</b>				
Head Start Program	93.600	02CH010323-01	2/1/16 - 1/31/17	<u>1,477,027</u>
Passed-through State of NJ Department of Community Affairs				
Low-Income Home Energy Assistance (LIHEAP)	93.568	2016-05131-0124	10/1/15 - 9/30/16	62,371
Low-Income Home Energy Assistance (LIHEAP)	93.568	2017-05131-0136	10/1/16 - 9/30/17	28,750
Heating Improvement Program	93.568	2011-05124-0530	10/1/11 - 11/30/16	<u>80,754</u>
				171,875
CSBG - Non-Discretionary	96.569	2016-05235-0192	10/1/15 - 9/30/16	122,690
CSBG - Non-Discretionary	93.569	2017-05235-0261	10/1/16 - 9/30/17	<u>53,099</u>
Subtotal Passed-through State of NJ Department of Community Affairs				<u>347,664</u>
Passed-through County of Hudson Department of Health and Human Services				
City of Bayonne, New Jersey				
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	16-024	1/1/16 - 12/31/16	418,130
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	17-012	1/1/17 - 12/31/17	<u>37,931</u>
				456,061
Social Services Block Grant				
Sandy Relief - Residential Maintenance	93.667	Project 841	10/1/13 - 9/30/17	<u>97,281</u>
Subtotal Passed-through County of Hudson Dept of Health and Human Services				<u>553,342</u>
<b>Total US Department of Health and Human Services</b>				<u>2,378,033</u>

See notes to schedules of expenditures of federal awards and state financial assistance.

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended January 31, 2017**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through ID Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<b>US Department of Homeland Security</b>				
Passed-through United Way of Hudson County, New Jersey Emergency Food and Shelter National Program	97.024	33-597800-001	4/1/15 - 11/30/16	\$ <u>5,082</u>
<b>US Department of Housing and Urban Development</b>				
Passed-through State of NJ Department of Community Affairs Homelessness Prevention & Rapid Re-Housing Program (HPRP)	14.231	2015-02156-0188	2/1/15 - 6/30/16	<u>50,928</u>
Passed-through City of Bayonne, New Jersey Community Development Block Grant (CDBG) Senior Citizen Transportation Program				
Insurance Costs	14.220	CY15-065	9/1/15 - 8/31/16	5,413
Insurance Costs	14.220	CY16-070	9/1/16 - 8/31/17	<u>2,056</u>
				<u>7,469</u>
Salaries and Fringe Benefits of Bus Drivers	14.219	CY15-064	9/1/15 - 8/31/16	20,779
Salaries and Fringe Benefits of Bus Drivers	14.219	CY16-069	9/1/16 - 8/31/17	<u>16,581</u>
				<u>37,360</u>
Fair Housing Counseling Services	14.218	CY15-063	9/1/15 - 8/31/16	19,781
Fair Housing Counseling Services	14.218	CY16-071	9/1/16 - 8/31/17	<u>22,844</u>
				<u>42,625</u>
<b>Total US Department of Housing and Urban Development</b>				<u>138,382</u>
<b>Total Federal Awards</b>				\$ <u><u>2,640,796</u></u>

See notes to schedules of expenditures of federal awards and state financial assistance.

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Schedule of Expenditures of State Financial Assistance  
For the Year Ended January 31, 2017**

<b>State Grantor/Pass-through Grantor/Program Title</b>	<b>Grant or State Project Number</b>	<b>Grant Period</b>	<b>Expenditures</b>	<b>Cumulative Expenditures</b>
<b>County of Hudson Department of Health and Human Services</b>				
Social Services Block Grant				
Residential Maintenance	Project 419	1/1/16 - 12/31/16	\$ 679	\$ 679
Social Services for the Homeless - Prevention	SH16009-BE	7/1/15 - 6/30/16	34,041	70,000
Social Services for the Homeless - Prevention	SH17009-BE	7/1/16 - 6/30/17	9,384	9,384
			43,425	79,384
<b>Total County of Hudson Department of Health and Human Services</b>			44,104	80,063
<b>State of New Jersey Department of Community Affairs</b>				
Universal Service Fund (USF)	2016-05133-0005	7/1/15 - 6/30/16	15,953	57,422
Universal Service Fund (USF)	2017-05133-0054	7/1/16 - 6/30/17	39,663	39,663
			55,616	97,085
Homelessness Prevention & Rapid Re-Housing Program (HPRP)	2015-02156-0188	2/1/15 - 6/30/16	27,199	129,531
Prevention of Homelessness (HPP)	2015-02150-0264	8/1/15 - 7/31/16	203,085	250,855
Prevention of Homelessness (HPP)	2017-02150-0101	11/1/16 - 10/31/17	51,700	51,700
			254,785	302,555
<b>Total State of New Jersey Department of Community Affairs</b>			337,600	529,171
<b>Total State Financial Assistance</b>			\$ 381,704	\$ 609,234

See notes to schedules of expenditures of federal awards and state financial assistance.

## **BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

### **Notes to Schedules of Federal Awards and State Financial Assistance For the Year Ended January 31, 2017**

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#### **Note 1 – General**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state awards programs of Bayonne Economic Opportunity Foundation. All federal financial awards received directly from federal agencies including awards passed through other government agencies, are included on the schedule of federal financial awards. All state awards received directly from state agencies including awards passed through other government agencies, are included on the schedule of state financial assistance.

#### **Note 2 – Basis of Accounting**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08-OMB *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Bayonne Economic Opportunity Foundation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 3 – Relationship to the Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in Bayonne Economic Opportunity Foundation's financial statements.

#### **Note 4 – Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedules agree with amounts reported in the related federal and state financial reports.

#### **Note 5 – Subrecipients**

There were no subrecipients for any grant during the fiscal year 2017.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

**The Board of Trustees  
Bayonne Economic Opportunity Foundation  
Bayonne, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bayonne Economic Opportunity Foundation (a non-profit organization) which comprise the statement of financial position as of January 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bayonne Economic Opportunity Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bayonne Economic Opportunity Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bayonne Economic Opportunity Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Spire Group, PC".

Livingston, New Jersey  
June 13, 2017



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**The Board of Trustees  
Bayonne Economic Opportunity Foundation  
Bayonne, New Jersey**

### **Report on Compliance for Each Major Federal Program**

We have audited Bayonne Economic Opportunity Foundation Organization's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bayonne Economic Opportunity Foundation's major federal programs for the year ended January 31, 2017. Bayonne Economic Opportunity Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Bayonne Economic Opportunity Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bayonne Economic Opportunity Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bayonne Economic Opportunity Foundation's compliance.

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## **Opinion on Each Major Federal Program**

In our opinion, Bayonne Economic Opportunity Foundation's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2017.

## **Report on Internal Control Over Compliance**

Management of Bayonne Economic Opportunity Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bayonne Economic Opportunity Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bayonne Economic Opportunity Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Livingston, New Jersey  
June 13, 2017



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JANUARY 31, 2017**

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Schedule of Findings and Questioned Costs  
For the Year Ended January 31, 2017**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?        Yes   X   No
- Significant deficiencies identified?        Yes   X   No

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

- Dollar threshold used to determine Type A programs        \$750,000
- Auditee qualified as low-risk auditee?        Yes   X   No
- Type of auditor’s report on compliance for major programs

Unmodified

Internal control over compliance:

- Material weakness (es) identified?        Yes   X   No
- Significant deficiencies identified?        Yes   X   No

Any audit findings that are required to be reported in accordance with CFR Section 200.516(a) of the Uniform Guidance?        Yes   X   No

Identification of major programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program</u>
93.600	U.S. Department of Health and Human Services: Head Start
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended January 31, 2017**

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**Section II – Schedule of Financial Statement Findings**

This section identified the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with 2 CFR section 200.515(d)(2) of Uniform Guidance and Chapter 4 of *Government Auditing Standards*.

**NONE**

**Section III – Federal Awards Findings and Questioned Costs**

This section identifies audit findings required to be reported by 2 CFR 200 Section 516(a) of Uniform Guidance.

**NONE**

**BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**

**Summary Schedule of Prior Audit Findings  
For the Year Ended January 31, 2017**

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This section identifies the status of prior year audit findings related to the financial statements and federal awards that are required to be reported in accordance with Uniform Guidance (2 CFR section 200.511(a)) and Chapter 4 of *Government Auditing Standards*.

**NONE**